

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10  
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11  
ACDA-12 TRSE-00 OMB-01 IO-13 NRC-05 DOE-15 SOE-02  
/114 W

-----075315 032005Z /45

R 031303Z AUG 78  
FM AMEMBASSY THE HAGUE  
TO SECSTATE WASHDC 3101  
INFO USMISSION USNATO  
USNMR SHAPE

C O N F I D E N T I A L SECTION 1 OF 2 THE HAGUE 4310

USNMR SHAPE FOR POLAD

E.O. 11652: GDS  
TAGS: MPOL, NATO, EFIN, NL  
SUBJECT: DUTCH PLANS TO RAISE DEFENSE EXPENDITURES BY THREE PERCENT

REF: THE HAGUE 2910, 3266

1. SUMMARY. ACCORDING TO BUDGET FIGURES PROVIDED US BY AN MOD  
OFFICIAL ON A CONFIDENTIAL BASIS, THE DUTCH CABINET  
SHOULD BE ABLE TO MEET THE COMMITMENT TO A THREE  
PERCENT REAL INCREASE IN DEFENSE SPENDING WHICH IT MADE  
AT THE WASHINGTON NATO SUMMIT, EVEN THOUGH ONE OF THE  
HALLMARKS OF THIS CABINET HAS BEEN TO CUT THE  
RATE OF INCREASE IN GOVERNMENT SPENDING. BY JUGGLING  
THE FIGURES AND ADDING SOME MORE MONEY, THE CABINET  
HAS MANAGED TO RAISE DEFENSE SPENDING BY APPROXIMATELY  
THREE PERCENT IN REAL TERMS FOR 1979 AND SUCCEEDING YEARS.  
DEFENSE IS THE ONLY MINISTRY TO RECEIVE SUBSTANTIAL INCREASES.  
END SUMMARY.

2. THE VAN AGT GOVERNMENT HAS INCREASED DEFENSE SPENDING OVER  
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AMOUNTS CONTAINED IN MULTI-YEAR ESTIMATES RELEASED BY THE  
SOCIALIST-LED CARETAKER GOVERNMENT IN SEPTEMBER LAST YEAR  
AS INDICATED IN THE FOLLOWING TABLE. THE PREVIOUS CABINET  
HAD PLANNED TO RAISE DEFENSE SPENDING IN REAL TERMS BY  
2.2 PERCENT IN 1979, 2.3 IN 1980, 1.9 IN 1981 AND 2.7 IN  
1982. THE PRESENT CABINET PLANS TO INCREASE THE DEFENSE BUDGET  
BY THREE PERCENT IN REAL TERMS FOR EACH OF THOSE YEARS.

YEAR 1978 1979 1980 1981 1982 1983  
 PLANNING BY PREVIOUS CABINET IN BILLIONS OF GUILDERS

BUDGET 9.5 10.2 10.9 11.6 12.6 ---

PERCENT ACTUAL IN- 7.4 6.9 6.4 8.6 ---  
 CREASE OVER PRE-  
 VIOUS YEAR

PERCENT REAL IN- 2.2 2.3 1.9 2.7 ---  
 CREASE (EXCLUDING ANTICIPATED  
 INFLATION)

APPROXIMATE NEW BUDGET IN BILLIONS OF GUILDERS

ADDITIONAL IN- .066 .155 .244 .373 ---  
 CREASE OVER  
 PREVIOUS CABINET

TOTAL 10.3 11.1 11.9 12.9 ---

PERCENT ACTUAL IN- 8.4 7.8 7.2 8.4 ---  
 CREASE OVER PRE-  
 VIOUS YEAR

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PERCENT INCREASE 3.0 3.0 3.0 3.0 ---  
 (EXCLUDING INFLATION)

3. THE CABINET DISCUSSIONS, THE MOD HAS EXPLAINED THAT IT REACHED THE THREE PERCENT COMMITMENT FOR 1979 IN THE FOLLOWING WAY: A BASE BUDGET WAS DEVELOPED BY REMOVING FUNDS FOR PENSIONS, HARBOR PILOTS, CIVIL DEFENSE, AND OTHER MINOR ELEMENTS FROM THE TOTAL 1978 MINISTRY BUDGET OF 9.5 BILLION. THIS RESULTED IN A BUDGET BASE OF APPROXIMATELY 8 BILLION GUILDERS, AN AMOUNT WHICH OUR MOD SOURCE DESCRIBES AS INTENDED FOR "REAL DEFENSE PURPOSES." THE 8 BILLION GUILDER BASE WAS INCREASED BY THREE PERCENT, OR 240 MILLION. (THIS IS THE "REAL" INCREASE.) THIS "REAL" INCREASE WAS THEN ADDED TO OTHER PREVIOUSLY SCHEDULED INCREASES (TO PAY FOR INCREASED WAGES AND PRICES). IN UNRELATED MOVES, PENSIONS WERE ALSO INCREASED BY THREE PERCENT AND CIVIL DEFENSE BY ABOUT 2.5 PERCENT. THUS, AS NOTED IN THE TABLE ABOVE, THE 1979 DEFENSE BUDGET WILL BE IN THE VICINITY OF 10.3 BILLION GUILDERS.

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/114 W

-----075389 032005Z /45

R 031303Z AUG 78  
FM AMEMBASSY THE HAGUE  
TO SECSTATE WASHDC 3102  
INFO USMISSION USNATO  
USNMR SHAPE

C O N F I D E N T I A L SECTION 2 OF 2 THE HAGUE 4310

USNMR SHAPE FOR POLAD

4. HOWEVER, IN DOMESTIC POLITICAL TERMS, THE REASONING IS DIFFERENT. THE MOD BEGAN WITH THE STATEMENT THAT AN ADDITIONAL 80 MILLION GUILDERS--ABOVE THE INCREASE WHICH THE PREVIOUS GOVERNMENT HAD ALREADY PLANNED--WAS NECESSARY TO MEET THE THREE PERCENT. ADDED TO THIS WAS 53 MILLION GUILDERS WHICH THE MINISTRY OF FINANCE HAD ALREADY COMMITTED TO HELP MAKE UP THE LAG IN DEFENSE SPENDING DURING THE PAST FEW YEARS. FROM THIS TOTAL OF 133 MILLION, THE DEFENSE MINISTRY GAVE UP 67 MILLION TO THE GOVERNMENT'S COST-CUTTING OPERATION, A POLITICAL MOVE CONSIDERED NECESSARY IN ORDER TO GAIN SUPPORT FOR THE INCREASE IN DEFENSE SPENDING. ACCORDING TO THE MOD OFFICIAL, THE RESULTING "INCREASE" OF 66 MILLION GUILDERS FOR THE 1979 DEFENSE BUDGET MEETS THE GENERAL POLITICAL REQUIREMENT (CONTAINED IN A PARLIAMENTARY MOTION) THAT THE DEFENSE BUDGET NOT BE EXCLUDED FROM THE GOVERNMENT'S ECONOMIZING MOVES.

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5. THE OFFICIAL CAUTIONED THAT THE FIGURES HAD NOT

YET BEEN PROVIDED TO THE NETHERLANDS MISSION TO NATO, AND WOULD ONLY BE RELEASED TO THE PUBLIC WHEN THE BUDGET IS PRESENTED TO PARLIAMENT ON SEPTEMBER 19. THE NETHERLANDS REPLY TO THE NATO DPQ WILL BE DELAYED BY A MONTH OR SO WHILE MOD BREAKS DOWN THE EXPENDITURES ACCORDING TO THE REQUIRED CATEGORIES. ROUGHLY SPEAKING, ABOUT 50 PERCENT OF THE EXTRA FUNDS IN THE 1979-83 PERIOD WILL BE ALLOTTED TO THE ARMY "BECAUSE IT HAS THE MAIN PROBLEMS", AND 10 PERCENT EACH TO THE NAVY AND AIR FORCE. THE REMAINING 30 PERCENT WILL BE RESERVED FOR INTER-SERVICE PROJECTS AND THE IMPLEMENTATION OF THE LTDP, INCLUDING AWACS AND IMPROVEMENT OF THE REACTION TIME OF THE FIRST NETHERLANDS ARMY CORPS.

6. COMMENT: THE VAN AGT GOVERNMENT HAS TAKEN SEVERAL IMPORTANT DECISIONS ON DEFENSE MATTERS, SUCH AS A NUCLEAR ROLE FOR THE LANCE MISSILE AND THE THREE PERCENT INCREASE IN DEFENSE SPENDING, BOTH OF WHICH HAVE BEEN DEFENDED SUCCESSFULLY IN PARLIAMENT (REFTELS). ALTHOUGH IT IS POSSIBLE THAT ANOTHER SOCIALIST-LED GOVERNMENT WOULD HAVE RAISED OVERALL DEFENSE SPENDING CLOSER TO THREE PERCENT THAN ITS ORIGINAL PROJECTIONS SHOWED, IT SHOULD BE NOTED THAT THIS GOVERNMENT HAS CONSISTENTLY, AND FROM THE BEGINNING OF ITS TERM, PLACED ITSELF SQUARELY BEHIND IMPORTANT NATO GOALS. BROWN

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## Message Attributes

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**To:** STATE  
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